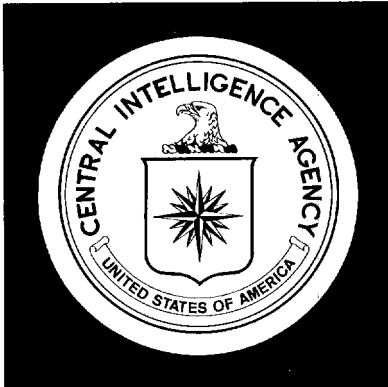


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OFFICE OF
NATIONAL ESTIMATES

MEMORANDUM

The European Community Summit

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12 October 1972

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

12 October 1972

MEMORANDUM

SUBJECT: The European Community Summit*

Preparations for the 19-20 October European Community Summit have involved fundamental questions of how members of the enlarged Community will conduct their relations with one another, and of what the Community's attitude should be toward the United States. This memorandum discusses how these questions played a part in negotiations over specific issues on the Summit agenda, and draws some tentative general implications from the experience.

1. The European Community heads of government will convene in Paris on 19-20 October to congratulate themselves on the Community's enlargement from six to nine members and take modest, but potentially significant, steps toward their stated goal of economic and monetary union by 1980. But the most interesting

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thing about this Summit is the tortured record of the past four months when whether to meet at all, or at least on whose terms, often seemed in doubt. The experience provides some clues as to how the members of the larger Community will deal with each other over time, and perhaps as to how the Community will conduct itself vis-a-vis the United States.

Europe's Working Summer

2. The trouble started early in June, when French President Pompidou threatened to dis-invite the prospective Summiteers on the grounds that there was too much disagreement among them to make such a high-level meeting profitable. In part, Pompidou was playing to a domestic audience and trying to woo hard-line Gaullists prior to his spring 1973 legislative elections. But Pompidou also was feeling the heat from his Community partners on several issues. The other Community members and applicants were insisting that the Secretariat which had been proposed to facilitate EC political consultations be located in Brussels with the European Commission -- which the French continue to see as a threat to national sovereignty -- rather than in Paris, as Pompidou wanted. There also was mounting agitation, especially from the smaller Community partners and from Commission officials, that the

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Summit approve greater powers for the Commission and the Community Parliament and possibly direct election of the latter. Finally, the Germans and some others, worried about an apparent drift in Community-US relations, wanted some ill-defined "institutionalization" of US-West European cooperation, which the French saw as a threat to Europe's "separate identity". Pompidou told the Belgian Prime Minister that after the disappointing results of his referendum on EC enlargement (when he got a majority of "yes" votes, but not the massive endorsement for his general European policies which the referendum had been designed to provide) he simply could not tolerate public Community rebuffs to French desires on these important issues.

3. France's partners saw the problem in very clear terms. They agreed among themselves that whether the Summit came off on schedule was far less important than whether French blackmail tactics -- Europe-building on French terms or not at all -- would work in the larger Community as they had in the smaller group of six states. Their dilemma was that all were reluctant to force an open breach with Paris. This certainly was true of the German government which, just a month after the Summit, faces a very tight election in part on the matter of how well Willy Brandt has nursed West European ties while pursuing new relations in the

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East. Also it was true in the other capitals, where maintaining at least the present level of Community cooperation is a fundamental tenet of national interest.

4. The official reaction of these governments to Pompidou's threats in June was very cool: that postponement of the Summit wouldn't matter very much (although it really would have, especially to Brandt), or that there were plenty of other capitals where the meeting could be held, with or without the French. But some very hard thinking was going on about what might be conceded to the French and what demanded in return, and government leaders started a virtually continuous round of visits to bargain with one another.

5. An early tacit decision was that the question of political institutions -- new ones, or new powers for old ones -- was just too hot to handle at this time. There will be no Secretariat at least for a while yet, and no tidy mechanism to coordinate all the different aspects of the Community's relations with the US. The Community Parliament will continue to be drawn from national legislatures and the Commission still will have to look for targets of opportunity to enhance its role in Community affairs. Pompidou probably did expect some accretion of *gloire* from having the Secretariat in Paris (Europe's "natural" political capital)

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and probably foresaw some practical advantage in having it firmly established in a place geographically separate from the Commission in Brussels. Nevertheless, even a standoff on further institutional progress does represent a victory of sorts for French tactics. The chief losers are the smaller Community members, who still see the growth of (hopefully supranational) institutions as the best way to protect their own interests vis-a-vis their larger partners.

6. These larger partners, however, had more immediate concerns. Given the formal commitment to economic and monetary union, none could disagree in principle with French insistence that creation of a European monetary fund should be the Summit's first order of business. And with the replacement of Karl Schiller by Helmut Schmidt as West German Economics and Finance Minister, German opposition to French proposals for Community monetary policy eased considerably. But Bonn still worried that European monetary cooperation might involve it in supporting the weaker currencies of some of its partners, without giving it any influence on, for instance, British or Italian economic policies which might increase the need for that support. Hence German insistence that at least "harmonization" of economic policies should accompany steps toward monetary union.

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7. The British, Italians, Danes, and Belgians have their own reasons for wanting Community economic cooperation beyond harmonization of national policies. All are especially interested in Community development aid for their economically distressed areas, and the British moreover hope that a regional development fund would return to them some of the money that the Community's Common Agricultural Policy will take away. Progress toward common industrial and energy policies also was on the shopping list of possible concessions to be won from Paris. Thus, as the summer wore on, the terms of a bargain were shaping up in which establishment of a European monetary fund, designed one day to become a Community central bank, would be traded for at least agreement in principle on aspects of economic harmonization and cooperation, with problems of detail assigned to various study groups. Those most eager for Europe's political development could take heart from a belief that making economic and monetary cooperation work inevitably would involve some political fallout.

8. A breakthrough to French agreement on at least economic harmonization came in early September when Paris -- like Bonn -- realized that the Summit would be a good opportunity to show

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concern for its electorate's mounting concern with inflation. The motive here may well be more to impress the homefolks, and to pass the buck for unpopular restrictive measures from national governments to the Community, than to build "Europe". And any effort actually to adopt common anti-inflation policies will encounter problems of different rates of economic growth, unemployment, and indeed inflation itself. Nonetheless, preparations for the Summit have established a potentially important precedent of national officials freely discussing one another's economic problems and policies, and the Summit itself probably will establish (and publicize) working groups to continue the practice.

What Kind of Community?

9. Any general principles drawn from all this about the future of the Community must be very tentative indeed. In the controversy over the Secretariat, Pompidou has demonstrated that he is as willing as de Gaulle (at least this once) to set France against the Rest if he cannot have his own terms. And the Rest have shown themselves still unwilling or unable to completely call the bluff -- if that's what it is -- and proceed against French wishes. But the result could be stated another way: that the others preferred having no Secretariat at all to having one on

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French terms and publicly faced down Paris on the issue. Certainly Pompidou fell short of his maximum demands for allowing the Summit to convene; high-level French travels around Community capitals all summer may have reflected worry about the reaction to his ultimatum. Moreover, his tactics drew sharp criticism at home, not so much for their damage to "Europe" as for their potential harm to France. Both *Le Monde* and *Figaro* accused him of stiffening Anglo-German resistance to French wishes and pointed out that so long as Europe lacks a "constitution" the law of the strongest will prevail -- and that in a Community of nine an obstreperous France can no longer count on being the strongest.

10. Decision by the Rest to forego a political Secretariat may be primarily a sign of their very pragmatic approach to the problem of European cooperation. The Secretariat would have been little more than an administrative body (a "letter box" according to some) and the Community has plenty of those. Moreover, there is a grudging acceptance even by most of the dedicated supranationalists that European institutions are more likely to follow than to precede successful cooperation on more mundane levels. At one time or another most of the governments even seemed willing to consider giving the Secretariat to Paris, if only some significant trade-off could be won from the French. The interesting

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exception was Britain's Heath, who eschews doctrinaire arguments about federations vs. confederations but who seems most adamant of all that the desired "natural outgrowth" of European political cooperation from closer economic union requires the location of any new political ventures in Brussels.

11. This experience in Summit-planning also points up the very shifting nature of alliances within the larger Community. There are of course some durable differences of concept as to how the EC should develop, and doubtless something still exists of the Franco-British euphoria (especially among long time Britain-in-Europe activists) produced by the final success of Heath's long efforts to take Britain into Europe. But on this first real test of Community interests, the British turned out to be in some ways the toughest (and certainly the most outspoken) opponents of French wishes. There are temporary reasons for this -- the German need for at least surface harmony with France during this election campaign, and perhaps Heath's desire to make a strong first showing as a "European". But the point is that "temporary" reasons are likely to be important in determining Community lineups on many issues. There will continue to be different alliances on different subjects.

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12. Another lesson of the summer is that when Europe really is in trouble, high level Frenchmen and Germans and Britons -- and to a much lesser extent, Italians -- traipse about striking bargains among themselves, which then are ratified by the appropriate EC bodies of Finance or Foreign Ministers from all the Community governments. If Britain appoints Commissioners of great political stature and others follow suit, multilateral consultations in Brussels may indeed become more forceful and influential. Nonetheless, when key issues are at stake, "multiple bilaterals" among the Big Three are likely to be a rule of Community life for some time to come. One consequence will be that some of the West European governments who worry about the US and the USSR dealing over their heads are likely to encounter similar suspicions from their smaller EC partners.

And How Will the Community Deal with the US?

13. The Europeans' two priority projects -- economic and monetary union with each other and negotiations on trade and international monetary reform with the US -- are both extraordinarily difficult undertakings and are bound to complicate each other. The French suspect some of their partners of being channels for US influence in European affairs; some of their partners

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suspect the French of being less interested in monetary union as a contribution to European unity than as a way of mobilizing European support for attacks on the dollar in particular and US "economic imperialism" in general; and there probably is some truth and some paranoia on both sides. The question of whether to "institutionalize" the Community's relations with the United States was primarily symbolic of intentions toward the US, as there already is ample opportunity to talk to one another; probably nobody has lost anything by seeing it shelved. The Summit itself is likely only to reaffirm the Community's willingness to enter into economic and monetary negotiations with the US in 1973, and to generously sprinkle its declaration with phrases like "constructive" and "reciprocal" and "mutually beneficial".

14. Here too Summit preparations provide some murky clues about what might lie beyond the generalities. The "eight" seem genuinely to believe that they stood up to the French threat of cancellation and got more than they gave in the eventual compromise. And this may be one of those cases in which what is believed to be true is more important than "the truth". In any event, leaders of these countries spent a good deal of time and energy during the summer telling each other how important it is not to give in to French blackmail tactics and not to let France's

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desire for a "European identity" become a codeword for Community selfishness vis-a-vis the rest of the world. Their belief in their ability to bargain successfully with the French -- *inter alia*, on behalf of a more open Community -- has been enhanced; they will be further emboldened if they deal successfully with the French at the Summit itself.

15. On the other hand, the US will be dealing with a Community which is not effectively led by anybody. The economic, political, and indeed emotional investment of all the member states in the Community is such that none can act independently, especially in matters of economic policy, but their institutions are a long way from being able to act on their behalf. The partners still sometimes seem to find inaction on sensitive issues preferable to resolution of differences. Or, once agreement is reached, the Community's chief preoccupation in international negotiations may simply be the preservation of its own positions because they were established only after long and hard internal bargaining. An added complication is that none of the member governments feels very confident just now of its political base at home, which makes all of them vulnerable to pressures from an assortment of special interest groups.

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16. Barring some dramatic reversal of US policies, there is no serious danger that the US will confront a hostile, consistently uncooperative Community during the next few years, either on European security questions or on economic relations. Even the French are concerned to keep trans-Atlantic differences from jeopardizing the US security guarantee, and moreover have been publicly enthusiastic about the recent US outline of ideas on international monetary reform. But Washington could find itself dealing with a Community in stalemate: defensive, unsure of its direction or the motives of some of its members, and prone to suspicions that US requests for changes in specific Community practices (e.g., agricultural financing) are in fact attacks on the Community principle itself.

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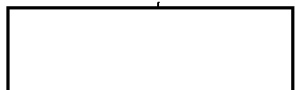
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MEMORANDUM FOR: Ray S. Cline

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Copies of the attached have been sent to
Roger J. Stoessel, Jr., and James S. Sutterlin.

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JOHN HUIZENGA
Director
National Estimates



6 October 1972
(DATE)